



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Conduct Public Hearing on April 18, 2012 to Consider Amending Lodi Municipal Code Chapter 13.20 – Electrical Service, by Repealing and Re-enacting Section 13.20.175 ‘Schedule ECA – Energy Cost Adjustment’ in its Entirety to Include Flat Energy Cost Adjustment (ECA) Option

MEETING DATE: April 18, 2012

PREPARED BY: Electric Utility Director

RECOMMENDED ACTION: Conduct public hearing on April 18, 2012 to consider amending Lodi Municipal Code Chapter 13.20 – Electrical Service, by Repealing and Re-enacting Section 13.20.175 “Schedule ECA – Energy Cost Adjustment” in its entirety to Include Flat Energy Cost Adjustment (ECA) option.

BACKGROUND INFORMATION: The Electric Utility proposes a flat ECA option for customers taking service under schedule I-1 – This was at the request of one of our major customers. This benefits the customer by reducing the impact of the monthly ECA fluctuations. EUD staff will create a levelized payment option (flat ECA) based on projected sales divided by the budgeted NCPA All Resources Bill for the upcoming 12 month period (July-June) minus 8.31 cents. The resulting amount shall be automatically implemented for bills rendered during the 11 billing months beginning in July and ending in May. The June billing shall include a true-up for the actual ECA billed in the same 11 month period and the actual ECA for the month of June.

FISCAL IMPACT: None. This will only impact one customer and the full amount of ECA due will be collected within the fiscal year.

FUNDING: Not applicable.

A handwritten signature in cursive script, appearing to read "Elizabeth A. Kirkley for".

Elizabeth A. Kirkley
Electric Utility Director

PREPARED BY: Matt Foskett, Rates and Resources Manager

EAK/MF/1st

APPROVED:

A handwritten signature in cursive script, appearing to read "Konradt Bartlam".
Konradt Bartlam, City Manager

ORDINANCE NO. _____

AN ORDINANCE OF THE LODI CITY COUNCIL AMENDING
LODI MUNICIPAL CODE CHAPTER 13.20 – ELECTRICAL
SERVICE – BY REPEALING AND REENACTING SECTION
13.20.175, “SCHEDULE ECA – ENERGY COST
ADJUSTMENT” IN ITS ENTIRETY

=====

BE IT ORDAINED BY THE LODI CITY COUNCIL AS FOLLOWS:

SECTION 1. Lodi Municipal Code Section 13.20.175, “Schedule ECA – Energy Cost Adjustment,” is hereby repealed and reenacted in its entirety to read as follows:

APPLICABILITY:

This schedule is applicable to all electric customers served by the City of Lodi. Each customer shall pay the applicable rate plus an Energy Cost Adjustment (ECA) for each kilowatt-hour (kWh) delivered to the customer. The adjustment shall be the product of the total kilowatt-hours (kWh) for which the bill is rendered times the ECA amount per kWh.

The purpose of the ECA is to adjust for increases/decreases to the City of Lodi's wholesale energy costs. This adjustment provides a mechanism to recover increased costs for wholesale energy or to lower collections when costs decrease below the base charge level.

RATES:

Effective July 6, 2007, the ECA billing factor for any given month shall be calculated as follows:

$$\text{ECA} = \frac{(a) + (b) - (c)(d+f) - (f)}{(e)}$$

Where:

(a) equals the amount the City of Lodi is actually charged by the Northern California Power Agency for the billing month, including adjustments for prior billing periods, less any third party revenue credits.

(b) equals the City of Lodi's estimated costs related to the acquisition of wholesale power, both financial and physical, procured directly by the City for the billing month, including adjustments for prior billing periods.

(c) equals the difference between actual retail energy sales and projected sales levels for the month which is two (2) months prior to the billing month.

(d) equals the ECA billing factor for the month which is two (2) months prior to the billing month.

(e) equals the forecast of projected retail energy sales for the billing month.

(f) equals the baseline energy cost for the City of \$0.0831.

The City of Lodi will recalculate the ECA each month, and resulting amount shall be automatically implemented for bills rendered during the following billing month. The ECA shall not be discounted.

SCHEDULE I-1 FIXED ECA OPTION:

Customers must elect this option prior to the start of the twelve month cycle (July-June) and must be billed for the entire twelve months under this option. Customers may opt out in the May prior to the next twelve month billing period.

The City of Lodi will calculate a fixed ECA based on projected sales divided by the budgeted NCPA All Resource Bill for the upcoming 12 month period (July-June) minus eight point three one (8.31) cents. The resulting amount shall be automatically implemented for bills rendered during the eleven billing months beginning in July and ending in May. The June billing shall include a true-up for the actual ECA billed in the same eleven month period and the actual ECA for the month of June.

SECTION 2. No Mandatory Duty of Care. This ordinance is not intended to and shall not be construed or given effect in a manner which imposes upon the City, or any officer or employee thereof, a mandatory duty of care towards persons or property within the City or outside of the City so as to provide a basis of civil liability for damages, except as otherwise imposed by law.

SECTION 3. Severability. If any provision of this ordinance or the application thereof to any person or circumstances is held invalid, such invalidity shall not affect other provisions or applications of the ordinance which can be given effect without the invalid provision or application. To this end, the provisions of this ordinance are severable. The City Council hereby declares that it would have adopted this ordinance irrespective of the invalidity of any particular portion thereof.

SECTION 4. All ordinances and parts of ordinances in conflict herewith are repealed insofar as such conflict may exist.

SECTION 5. This ordinance shall be published pursuant to law and shall become effective 30 days from the date of passage and adoption.

SECTION 6. The amended Schedules referenced above shall be effective on applicable electric utility billings prepared by the City of Lodi on or after _____, 2012, or the first date allowable under State law.

Approved this ____ day of _____, 2012

JOANNE MOUNCE
MAYOR

ATTEST:

RANDI JOHL
City Clerk

State of California
County of San Joaquin, ss.

I, Randi Johl, City Clerk of the City of Lodi, do hereby certify that Ordinance No. ____ was introduced at a regular meeting of the City Council of the City of Lodi held _____, 2012, and was thereafter passed, adopted, and ordered to print at a regular meeting of said Council held _____, 2012, by the following vote:

AYES: COUNCIL MEMBERS –

NOES: COUNCIL MEMBERS –

ABSENT: COUNCIL MEMBERS –

ABSTAIN: COUNCIL MEMBERS –

I further certify that Ordinance No. ____ was approved and signed by the Mayor on the date of its passage and the same has been published pursuant to law.

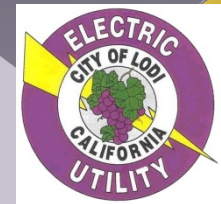
RANDI JOHL
City Clerk

Approved to Form:

D. STEPHEN SCHWABAUER
City Attorney

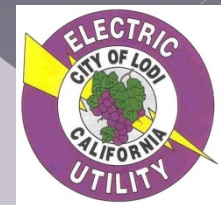
Flat Energy Cost Adjustment Industrial Rate Class Option

Lodi City Council
April 18, 2012



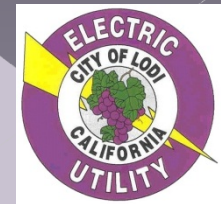
Background

- ECA updated monthly to reflect actual power costs
 - Positive when costs are higher than base
 - Negative when costs are lower than base
- ECA is identical for all rate classes



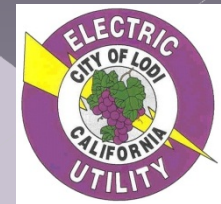
Flat ECA - why?

- Requests from Industrial customers
 - Budget vs. actual monthly utility bills
 - National market competitiveness
 - Provides electric bill predictability



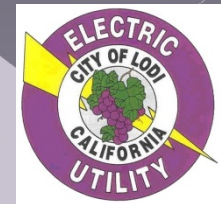
Proposal

- Reduce the impact of fluctuating ECA for City's seven Industrial (I1) customers (12.4% load)
- Flat ECA would be billed over eleven months (July-May)
- Customers would receive a true-up of actual ECA costs on their June bill
- Opt-out at end of Fiscal Year
- July 1, 2012 proposed start date



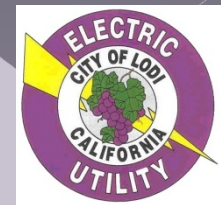
Flat ECA Calculation

- Based on upcoming Fiscal Year's
 - Budgeted power costs/projected sales
 - Less baseline energy costs
- FY 2012/13 Flat ECA =
 - $(\$39.3 \text{ M} / 434.5 \text{ M kWh}) - \0.0831
 - $\$0.0905 - \$0.0831 = \$0.0074$
- Projected Flat ECA is \$0.0074

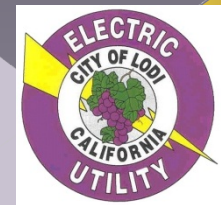


Eligible Customers

- General Mills
- Ralcorp
- CertainTeed
- Pacific Coast Producers
- Lodi Iron Works
- White Slough
- Schaefer Systems



Questions / comments???



G-1

Jennifer Robison

From: Randi Johl
Sent: Wednesday, April 18, 2012 01:23 PM
To: Jennifer Robison
Subject: FW: Item G-1

Randi Johl, JD, MMC
 City Clerk, City of Lodi
 221 West Pine Street
 Lodi, California 95240
 (209) 333-6702 Telephone
 (209) 333-6807 Facsimile

From: JOHN E. JOHNSON [mailto:john@johnejohnson.com]
Sent: Wednesday, April 18, 2012 01:07 PM
To: City Council; Randi Johl
Cc: Rad Bartlam; Elizabeth Kirkley; Pat Patrick; Rich Hanner; Keith Reid
Subject: Item G-1

As you are all aware, I have been working with the ECA and checking the ECA calculations since its inception. I have also spoken out that the ECA should be fixed for a period of time so that customers could count on consistent rates. *So*, this item is somewhat satisfying but it is also disturbing in that **one customer** will receive preferential treatment while the rest of us will have variable rates each month.

I understand that there will be a "true-up" at the end of the eleven months and that new rates will be set for this **one customer**. What is unclear is how the "true-up" will impact the rest of us.

As the ECA is today, the calculation is rather easy. Anything that we pay over 8.31 cents is added and if it is under it is subtracted, assuming usage is at budget. With one large customer coming out of the equation, are their hours coming out of the equation too? If so, that will impact the ECA calculation for the rest of us and most likely not in a favorable way unless changes are made to the formula. Please keep in mind that the ECA has only been negative 7 times since its inception and there have been 57 ECA calculations since inception.

The current ECA passes the cost or the benefit to everyone equally. Pulling a large customer out will pass the cost or the benefit across fewer usage hours unless the cost paid for power is also adjusted by this one customer's usage and their budgeted hours as well as actual hours are also removed. If you think the average person has a hard time understanding the ECA formula now, make those changes.

Why not do this for everyone? I realize that this is a large customer but it is one customer. Why not fix rates for 6 months for everyone and then adjust them using the ECA formula? Why not fix them for a year and then adjust them?

The ECA was designed to make sure rates reflected the true cost of power and that it was collected timely. It was also designed to treat everyone equally in that everyone paid the same ECA times the hours used regardless of their rate structure. The current ECA does those things. This change does

04/18/2012

none of that.

I particularly like the this portion of item G-1.

FISCAL IMPACT: *None. This will only impact one customer and the full amount of ECA due will be collected within the fiscal year.*

That simply is not true and it is naive to say it. If during the 11 months that this **one** customer has their ECA power prices increase, we, the owners of the utility, will be financing their portion of the ECA that is unpaid. The only way to avoid that is to overcharge them in advance or to overcharge the rest of us.

Now before you dismiss my understanding or knowledge of the ECA, allow me to remind you that there have been two errors made in the ECA calculations and both were found by me. The latest one in December 2011 would have cost the city about \$150,000 had it not been caught.

I hope that you will not support this item. Rather, I would like to see you support a change like this for all customers.

I am sending this email because I cannot attend tonight's meeting.

Respectfully,

John

John E. Johnson, CFA
JOHN E. JOHNSON, LLC
106 S. Orange Avenue
Lodi, California 95240
(209) 369-1451
(209) 369-3032 FAX
john@iohnejohnson.com



***Please immediately confirm receipt
& this fax by calling 333-6702***

CITY OF LODI
P. O. BOX 3006
LODI, CALIFORNIA 95241-1910

ADVERTISING INSTRUCTIONS

SUBJECT: PUBLIC HEARING TO CONSIDER AMENDING LODI MUNICIPAL CODE
CHAPTER 13.20 - ELECTRICAL SERVICE - BY REPEALING AND
REENACTING SECTION 13.20.175, "SCHEDULE ECA - ENERGY COST
ADJUSTMENT," IN ITS ENTIRETY TO INCLUDE FLAT ENERGY COST
ADJUSTMENT OPTION

PUBLISH DATE: SATURDAY, APRIL 7, 2012

LEGAL AD

TEAR SHEETS WANTED: One (1) please

SEND AFFIDAVIT AND BILL TO: RANDI JOHL, CITY CLERK
City of Lodi
P.O. Box 3006
Lodi, CA 95241-1910

DATED: THURSDAY, APRIL 5, 2012

ORDERED BY:

RANDI JOHL
CITY CLERK

JENNIFER M. ROBISON, CMC
ASSISTANT CITY CLERK


MARIA BECERRA
ADMINISTRATIVE CLERK

Verify Appearance of this Legal in the Newspaper - Copy to File

LNS	Faxed to the Sentinel at 369-1084 at <u>1:05 PM</u> (time) on <u>4/5/12</u> (date) <u>2</u> (pages)			
	Phoned to confirm receipt of all pages at _____ (time) JMP MB CF (initials)			



DECLARATION OF POSTING

**PUBLIC HEARING TO CONSIDER AMENDING LODI MUNICIPAL CODE CHAPTER
13.20 – ELECTRICAL SERVICE – BY REPEALING AND REENACTING SECTION
13.20.175, “SCHEDULE ECA – ENERGY COST ADJUSTMENT,” IN ITS ENTIRETY
TO INCLUDE FLAT ENERGY COST ADJUSTMENT OPTION**

On Thursday, April 5, 2012, in the City of Lodi, San Joaquin County, California, a Notice of Public Hearing to consider amending Lodi Municipal Code Chapter 13.20 – Electrical Service – by repealing and reenacting Section 13.20.175, “Schedule ECA – Energy Cost Adjustment,” in its entirety to include flat energy cost adjustment option (attached and marked as Exhibit A) was posted at the following locations:

Lodi Public Library
Lodi City Clerks Office
Lodi City Hall Lobby
Lodi Carnegie Forum

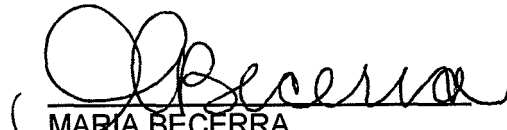
I declare under penalty of perjury that the foregoing is true and correct.

Executed on April 5, 2012, at Lodi, California.

ORDERED BY:

**RANDI JOHL
CITY CLERK**

JENNIFER M. ROBISON, CMC
ASSISTANT CITY CLERK



MARIA BECERRA
ADMINISTRATIVE CLERK



CITY OF LODI

Carnegie Forum
305 West Pine Street, Lodi

NOTICE OF PUBLIC HEARING

Date: April 18, 2012

Time: 7:00 p.m.

For information regarding this notice please contact:

Randi Johl

City Clerk

Telephone: (209) 333-6702

EXHIBIT A

NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN that on **Wednesday, April 18, 2012**, at the hour of 7:00 p.m., or as soon thereafter as the matter may be heard, the City Council will conduct a public hearing at the Carnegie Forum, 305 West Pine Street, Lodi, to consider the following matter:

- a) **Amending Lodi Municipal Code Chapter 13.20 – Electrical Service – by repealing and reenacting Section 13.20.175, “Schedule ECA – Energy Cost Adjustment,” in its entirety to include flat energy cost adjustment option.**

Information regarding this item may be obtained in the Electric Utility Department, 1331 South Ham Lane, Lodi, (209) 333-6762. All interested persons are invited to present their views and comments on this matter. Written statements may be filed with the City Clerk, City Hall, 221 West Pine Street, 2nd Floor, Lodi, 95240, at any time prior to the hearing scheduled herein, and oral statements may be made at said hearing.

If you challenge the subject matter in court, you may be limited to raising only those issues you or someone else raised at the public hearing described in this notice or in written correspondence delivered to the City Clerk, 221 West Pine Street, at or prior to the close of the public hearing.

By Order of the Lodi City Council:

Randi Johl
City Clerk

Dated: April 4, 2012

Approved as to form:

D. Stephen Schwabauer
City Attorney